5. The potential percentage change in station operating cash flow resulting from cross-ownership efficiencies can be estimated as follows:

Small Market Radio	21.8%
Medium Market Radio	12.4
Large Market Radio	8.6
Small Market Television	16.5%
Medium Market Television	12.6
Large Market Television	10.3

6. Many industry executives believe that, although economies can be realized, newspaper publishing and broadcasting are distinctly different businesses. Consequently, there are clear limits on the economies which can be generated, even in optimal circumstances.

7. Industry executives believe that a relaxation of the current broadcasting/newspaper cross-ownership restrictions would result in an increase in mergers. However, because the economies of scale in such combinations are less significant than those realized in combinations of broadcast properties, it is expected that the level of consolidations would be much less dramatic than those characterizing the television and radio industries in recent years.

Consequently, it is apparent that opportunities exist to generate efficiencies through the combination of newspaper and broadcasting operations. However, due to profound differences between these two industries, it is unlikely that any increase in profits will exceed 20%, even under the most favorable circumstances.

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A STUDY TO DETERMINE CERTAIN ECONOMIC IMPLICATIONS OF BROADCASTING/NEWSPAPER CROSS-OWNERSHIP

III. BROADCASTING AND NEWSPAPER INDUSTRY OVERVIEW

Broadcasting Industry Overview

According to the 1998 Broadcasting & Cable Yearbook, the commercial broadcasting industry in the United States consists of 4,762 AM radio stations, 5,542 FM radio stations, 558 VHF television stations, and 640 UHF television stations. Each station has been granted a license by the Federal Communications Commission (FCC) which provides authorization to operate and stipulates certain technical parameters such as antenna height and transmitting power.

These stations provide entertainment, news, sports, and other forms of programming to the public free of charge. In order to cover the costs of operation, commercial stations sell advertising time to local and national businesses, government agencies, and political organizations which seek to deliver information to the general public.

The Telecommunications Act of 1996 has modified broadcast station ownership rules. There is no limit to the number of AM and FM radio stations that an entity may own nationally. However, there are limits to the type and number of radio stations that can be owned by a single entity in a particular market based upon the total number of radio stations operating within the market.

Like radio, there is no limit to the number of television stations that a single entity may own or operate nationwide. However, an FCC restriction prohibits a single television station group owner from covering more than 35% of the nation's television households. The FCC is currently studying whether to allow a single entity to own more than one television station in a market.

Approximately 98% of all households in the United States are equipped with television receivers; 74% of all households own more than one television set. It is estimated that over 600 million radio receivers are in use by the American public.

The link between audience size and advertising revenues is fundamental to the broadcasting industry. Broadcasters constantly seek to provide programming that will develop the widest appeal among radio listeners and television viewers. The more effectively the broadcaster is able to meet the preferences of the public, the larger the station's audience will be. The larger the audience that a station can offer to advertisers, the more advertisers will be willing to pay for time on the station. This relationship between audience size and advertising revenues is axiomatic in the broadcasting industry and is the primary determinant of success or failure among station operators.

In recent years, the broadcasting industry has become increasingly competitive. The FCC has issued additional licenses for television and radio stations in almost every market in the country. Moreover, traditional broadcast operators have come under increasing pressure from cable television systems, satellite-distributed program services, videocassette tape recorders, and other competing technologies.

In order to build the largest audience share possible, stations invest heavily in tangible assets, such as tall towers and powerful transmitters, and intangible assets such as on-air talent and programming agreements. Similarly, investments in equipment and intangible assets, such as managerial talent, may be oriented toward controlling costs and increasing profitability.

It is in this marketplace, one defined by a strong relationship between audience size and revenue on one hand, and increasing competition on the other, that the broadcasting industry operates.

Newspaper Industry Overview

According to the 1998 Editor & Publisher International Yearbook, the circulation of daily newspapers in the United States totals 56,727,902. These readers are served by 693 morning papers, 804 evening papers, and 12 "all-day" papers. Additionally, communities are served by a multitude of weekly and bi-weekly newspapers. No special authorization or license is required to initiate newspaper publication in the United States and no regulatory barriers to entry exist.

Most newspapers provide news, analysis, commentary, sports, and other forms of information and entertainment to the public. Since the industry is both capital and labor intensive, newspaper operating costs are substantial. The capital investment in press equipment, layout equipment, photographic facilities, and computerized editorial systems may take many years to recover. Additionally, large staffs are required to maintain press equipment, produce editorial content, coordinate art and layout work, and distribute the newspapers to readers.

In order to cover these substantial operating costs, newspapers generally charge a purchase price to subscription and newsstand readers, and sell advertising space to local and national businesses and others seeking to deliver specialized messages to the general public.

An increasing number of publications, known as free distribution newspapers, are distributed to the public free of charge and generate revenues solely through the sale of advertising space. A specialized form of free distribution newspaper, known as the shopper, emphasizes local advertising and neighborhood shopping information, rather than editorial content.

The link between circulation and advertising is fundamental to the newspaper industry. Publishers constantly seek to provide editorial content and develop distribution techniques which will develop the widest appeal among potential readers. The more effectively a publisher is able to meet the needs and preferences of the public, the larger the newspaper's base of readers will be. The larger the base of readers that a newspaper can offer to advertisers, the more advertisers will be willing to pay for space in the newspaper. This relationship is the primary determinant of success or failure among newspaper publishers. For this reason, newspaper circulation levels are generally verified by independent auditors.

Like broadcasting, the newspaper industry has become increasingly competitive in recent years. Publishers have been adversely impacted by dramatically increased operating expenses and declines in readership. In 1996, daily newspaper circulation contracted by approximately 1,210,000 subscribers. In 1997, an additional 256,000 daily subscribers were lost.[1] Most significantly, competing media such as television, radio, cable television, direct mail agencies, and the internet, have attracted advertisers from newspapers, further depressing profit margins.

Many newspaper publishers have sought to maintain profitability by offering ancillary services, such as advertising insert distribution and direct mail services, and by diversifying into related industries.

Consequently, newspaper companies operate in a marketplace defined by both a strong relationship between circulation and revenues and increasing competition.

Current Broadcasting/Newspaper Cross-Ownership

Current restrictions upon broadcast/newspaper cross-ownership within a given market area reflect the goals of fostering competition and ensuring diversity of editorial voices. An overview of current FCC regulations provides a context for this analysis. Specifically, Section 73.3555(d) of the FCC Rules and Regulations provides that:

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[1] Editor & Publisher Yearbook, 1998.

> No license for an AM, FM or TV broadcast station shall be granted to any party (including all parties under common control) if such party directly or indirectly owns, operates or controls a daily newspaper and the grant of such license will result in: (1) The predicted or measured 2 mV/m contour of an AM station, computed in accordance with §73.183 or §73.186, encompassing the entire community in which such newspaper is published; or (2) The predicted 1 mV/m contour for an FM station, computed in accordance with §73.313, encompassing the entire community in which such newspaper is published; or (3) The Grade A contour of a TV station, computed in accordance with §73.684, encompassing the entire community in which such newspaper is published.[1]

Certain exceptions exist to these restrictions. For example, broadcast and newspaper properties which are co-owned in markets where the co-ownership existed prior to the promulgation of the ownership restrictions in 1975 are generally exempt although, in some cases, the FCC forced divestiture at that time. Additionally, the FCC can grant a waiver if certain criteria, such as economic distress, are met. However, the FCC has only authorized such waivers on two occasions.[2]

A summary of existing broadcasting/newspaper cross-ownership configurations is presented in Table 1.

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[1] 47 C.F.R. §73.3555(d)

[2] Field Communications Corp., 65 FCC 2d 959 (1977); Fox Television Stations Inc., 8 FCC Rcd 5341, 5349 (1993); aff'd sub nom. FCC, 46 F.3d 1154 (D.C. Cir. 1995).

Table 1

Broadcasting/Newspaper Cross-Ownership Summary

Company	Market Area	Newspaper Interests	Radio Interests	Television Interests
A. H. Belo	Dallas, TX	The Dallas Morning News		WFAA-TV
Bliss Communications, Inc.	Janesville, WI	The Jotter The Janesville Gazette	WCLO(AM) WJVL(FM)	
Calvary, Inc.	Greensburg, Pittsburgh, PA	Greensburg Tribune Review	KQV(AM)	
Cedar Rapids Television, Co.	Cedar Rapids, IA	Cedar Rapids Gazette	KCRG(AM)	KCRG-TV
Channel 6, Inc.	Temple, TX	Temple Daily Telegram		KCEN-TV
Chronicle Publishing Co.	San Francisco, CA	San Francisco Chronicle		KRON-TV
Cowles Publishing Co.	Spokane, WA	The Spokeman-Review		KHQ-TV
Cox Enterprises, Inc.	Atlanta, GA	The Atlanta Journal & Constitution	WSB-AM-FM	WSB-TV
	Dayton, OH	Dayton Daily News	WHIO(AM) WHKO(FM)	WHIO-TV
Crain Broadcasting, Inc.	Champaign, IL	The Champaign News-Gazette	WDWS(AM) WHMS-FM	
Daily News Broadcasting Co.	Bowling Green, KY	Park City Daily News	WKCT(AM) WDNS(FM)	
The Dispatch Broadcast Group	Columbus, OH	The Columbus Dispatch	WBNS-AM-FM	WBNS-TV
Dix Communications	Wooster, OH	Wooster Daily Record	WKVX(AM) WQKT(FM)	

Table 1
(Continued)

Company	Market Area	Newspaper Interests	Radio Interests	Television Interests
Federated Media	Elkhart, IN	The Elkhart Truth	WTRC(AM) WBYT(FM)	
The Findlay Publishing Co.	Findlay, OH	Findlay Courier	WFIN(AM) WKXA-FM	
The Free Lance Star-Publishing Co.	Fredericksburg, VA	Fredericksburg Free Lance-Star	WYSK(AM) WFLS-FM	
Gannett Co.	Denver-Fort Collins, CO	Fort Collins Coloradoan		KUSA-TV
	Atlanta-Gainesville, GA	The Times (Gainesville)		WXIA-TV
	Battle Creek-Grand Rapids, MI	Battle Creek Enquirer		WZZM-TV
	Minneapolis-St. Cloud, MN	St. Cloud Times		KARE(TV)
Guy Gannett Communications	Portland, ME	The Portland Press Herald		WGME-TV
Gray Communications Systems Inc.	Albany, GA	The Albany Herald		WALB-TV
Illini Media Co.	Champaign-Urbana, IL	Daily Illini	WPGU(FM)	
Johnson County Broadcasters	Warrensburg, MO	Daily Star Journal	KOKO(AM)	
La Salle County Broadcasting Corp.	La Salle, IL	News Tribune	WLPO(AM) WAJK(FM)	
Manship Stations	Baton Rouge, LA	Baton Rouge Morning Advocate		WBRZ(TV)
Media General	Tampa, FL	The Tampa Tribune		WFLA-TV
	Lynchburg-Roanoke, VA	The News & Advance (Lynchburg)		WLSL-TV

Table 1
(Continued)

Company	Market Area	Newspaper Interests	Radio Interests	Television Interests
The Post Co.	Idaho Falls, ID	The Post Register		KIFI-TV
Progressive Publishing Co.	Clearfield, PA	Clearfield Progress	WCPA(AM)	
			WQYX(FM)	
Schurz Communications, Inc.	South Bend, IN	South Bend Tribune	WBST(AM)	WBST-TV
			WNSN(FM)	
E. W. Scripps Co.	Stuart-West Palm Beach, FL	Stuart News		WPTV(TV)
Shamrock Communications Inc.	Scranton, PA	The Scranton Times	WEJL(AM)	
		The Tribune	WEZX(FM)	
Star Printing Co.	Miles City, MT	Miles City Star	KATL(AM)	
Times & News Publishing Co.	Gettysburg, PA	Gettysburg Times	WGET(AM)	
			WGTY(FM)	
Tribune Broadcasting Co.	Chicago, IL	Chicago Tribune	WGN(AM)	WGN(TV)
	Miami-Ft. Lauderdale, FL[1/]	Ft. Lauderdale Sun-Sentinal		WDZL(TV)
WEEU Broadcasting Co.	Reading, PA	Reading Times	WEEU(AM)	
WEHCO Media Inc.	Texarkana, TX	Texarkana Gazette	KCMC(AM)	KTAL-TV
			KTAL-FM	
WJAG, Inc.	Norfolk, NE	Norfolk Daily News	WJAG(AM)	
			KEXL(FM)	
West Virginia Radio Corporation	Morgantown, WV	Morgantown Dominion-Post	WAJR(AM)	
			WVAQ(FM)	

[1/] This combination exists pursuant to the FCC's temporary waiver of the newspaper/broadcasting cross-ownership rule.

Table 1
(Continued)

Company	Market Area	Newspaper Interests	Radio Interests	Television Interests
Woodward Communications Inc.	Dubuque, IA	Telegraph-Herald	KDTH(AM) KATF(FM)	

Source: Broadcasting & Cable Yearbook, 1998. In some cases, companies own newspapers and television stations in the same market but do not technically violate the cross-ownership restrictions because the newspaper's coverage area does not overlap the station's Grade A signal contour.

IV. ECONOMIC ANALYSIS OF BROADCASTING/NEWSPAPER COMBINATIONS

Large Market Television/Newspaper

The analysis of a hypothetical large market television station-newspaper combination is presented in Table 2. Financial data was extracted from the National Association of Broadcasters 1997 Television Financial Report and includes average financial data for stations in top 20 markets. Newspaper data is based upon the reported average performance of daily newspapers with circulations over 80,000.

It is noteworthy that in a large market, a local newspaper's revenues and operating cash flow typically dwarf those of a local television station. This imbalance results from rate and inventory differences, as well as the fact that most markets have far fewer newspapers than television stations. On the other hand, television stations tend to have higher operating profit margins, absent the heavy burdens of printing and circulation costs.

On a stand-alone basis, the average large market television station generates $63.7 million in gross revenues. Operating expenses to support these revenues total $29.4 million. After sales commissions and operating expenses, the television station used in this analysis generates operating cash flow of $24.2 million, before debt service, taxes, depreciation, capital expenditures, and other non-operating expenses. The resulting operating profit margin is 45.2%.

Gross revenues for the corresponding large market newspaper total $196.0 million and operating expenses total $144.7 million. The resulting operating cash flow is $51.3 million, representing an operating profit margin of 26.2%.

On an unadjusted combined basis, the newspaper and the television station generate $259.7 million in gross revenues and $75.5 million in operating cash flow, representing an operating profit margin of 30.3%,

Assuming the businesses are operated on a consolidated basis, our research indicates that certain economies would result.

First, it is evident that advertising revenues could be increased, particularly in the case of local and regional advertisers, through effective packaging, cross-selling, and promotion. Industry executives estimate this overall benefit to fall within the range of 1% to 5% of advertising revenues. Circulation revenues and revenues from ancillary sources such as communications tower rentals and outside printing contracts would, in all likelihood, be unaffected.

It is also apparent that savings could be generated in certain areas. For a large market television station, opportunities exist to combine certain editorial functions as well as to share significant fixed costs in sales, advertising and promotion, and in the general and administrative areas. Specific areas where economies could be realized include sales research, benefits administration, accounting, and tax management. On a departmental basis, these savings range from 3% to 5%.

Surprisingly, moderate savings (approximately 5%) were foreseen in the consolidation of news operations. A principal reason for this is the different nature of television and newspaper news operations. The technical facilities and delivery systems employed by each entity are distinctly different. Additionally, broadcasting news operations are primarily oriented toward relatively short treatments of breaking stories whereas newpapers can devote more space to in-depth treatments of stories.

In aggregate, as shown in Table 2, the operating cash flow of the combined television/newspaper entity increases from $75.5 million to $83.3 million, or by 10.3%, as a result of combined operations. The operating cash flow margin grows from 30.3% to 32.9%.

Consequently, it appears that the economic efficiencies of combining a large market newspaper with a large market television station are significant. The ability to combine print and television in a single sales vehicle could create attractive opportunities for advertisers which would, in turn, have a positive impact on revenues. Additionally, the elimination of redundancy in certain news and editorial functions, as well as administrative areas, could yield significant expense savings.

Intuitively, one might expect these economies to be even greater, but industry executives are quick to point out that television broadcasting and newspaper publishing are distinctly different businesses. Newspapers target different advertisers and maintain a complex printing and distribution network. In contrast to an in-market combination of radio stations or television stations, which could share a general manager, it is widely recognized that a comparable newspaper and broadcast operation would require separate senior executives and managers.

Table 2

Economic Analysis of Large Market Television/Newspaper Combination

(Dollar Amounts Shown in Thousands)

	Standalone Television Operation	Standalone Newspaper Operation	Unadjusted Combined Operation	Revenue Benefit/ Cost Saving	Adjusted Combined Operation	Percentage Change
Revenues						
Total Advertising Revenue	$60,492.2	$149,712.2	$210,204.4	$3,592.6	$213,797.0	1.7%
Circulation	0.0	36,605.2	36,605.2	0.0	36,605.2	0.0%
Other Revenue	3,187.0	9,673.3	12,860.3	0.0	12,860.3	0.0%
Total Revenues	$63,679.2	$195,990.7	$259,669.9	$3,592.6	$263,262.5	1.4%
Net Revenues	$53,583.7	$195,990.7	$249,574.4	$3,452.9	$253,027.3	1.4%
Operating Expenses						
Editorial/News/Programming	$17,060.9	$17,097.0	$34,157.9	($1,537.1)	$32,620.8	-4.5%
Engineering/Technical	2,464.6	0.0	2,464.6	0.0	2,464.6	0.0%
Production/Printing	778.8	53,690.3	54,469.1	0.0	54,469.1	0.0%
Circulation	0.0	23,701.7	23,701.7	0.0	23,701.7	0.0%
Advertising/ Sales/ Promotion	4,844.0	13,384.8	18,228.8	($911.4)	17,317.4	-5.0%
General and Administrative	4,202.7	36,826.1	41,028.8	($1,846.3)	39,182.5	-4.5%
Total Operating Expenses	$29,351.0	$144,699.9	$174,050.9	($4,294.8)	$169,756.1	-2.5%
Operating Cash Flow	$24,232.7	$51,290.8	$75,523.5	$7,747.7	$83,271.2	10.3%
Operating Cash Flow Margin	45.2%	26.2%	30.3%		32.9%	

Medium Market Television/Newspaper

An analysis of a medium market television/newspaper combination is presented in Table 3. The most significant difference between this data and the large market scenario is that the gross revenues of the television station and the newspaper, $17.0 million and $18.5 million, respectively, are comparable. While the newspaper operating cash flow margin of 26.1% is comparable to those typical of large market papers, the television station operating cash flow margins in these markets tend to be markedly lower, in this case 38.6%. Unadjusted combined operating cash flow for these properties approximates $10.4 million.

Anticipated revenue benefits under consolidated ownership in such markets are more moderate. Nevertheless, a revenue benefit of approximately 1.2%, or $420,800, is indicated.

Cost savings would also be expected in the editorial, sales, advertising and promotion, and general administrative areas. These savings are calculated to aggregate an operating expense savings of 4.1%, or a total of $913,800.

When the revenue benefit and the cost savings are combined, the total benefit in a medium market television/newspaper combination is $1.3 million. This 12.6% increase in operating cash flow is generally consistent with the 10.3% benefit indicated in the large market scenario.

Table 3

Economic Analysis of Medium Market Television/Newspaper Combination

(Dollar Amounts Shown in Thousands)

	Standalone Television Operation	Standalone Newspaper Operation	Unadjusted Combined Operation	Benefit/ Cost Saving	Adjusted Combined Operation	Percentage Change
Revenues						
Total Advertising Revenues	$15,567.0	$12,510.7	$28,077.7	$420.8	$28,498.5	1.5%
Circulation	0.0	4,366.4	4,366.4	0.0	4,366.4	0.0%
Other Revenue	1,429.2	1,591.9	3,021.1	0.0	3,021.1	0.0%
Total Revenues	$16,996.2	$18,469.0	$35,465.2	$420.8	$35,886.0	1.2%
Net Revenues	$14,359.6	$18,469.0	$32,828.6	$389.5	$33,218.1	1.2%
Operating Expenses						
Editorial/News/Programming	$4,022.8	$1,988.6	$6,011.4	($360.7)	$5,650.7	-6.0%
Engineering/Technical	763.7	0.0	763.7	0.0	763.7	0.0%
Production/Printing	365.7	4,868.3	5,234.0	0.0	5,234.0	0.0%
Circulation	0.0	1,626.5	1,626.5	0.0	1,626.5	0.0%
Advertising/ Sales/ Promotion	1,774.3	1,484.9	3,259.2	(163.0)	3,096.2	-5.0%
General and Administrative	1,892.0	3,681.6	5,573.6	(390.1)	5,183.5	-7.0%
Total Operating Expenses	$8,818.5	$13,648.9	$22,468.4	($913.8)	$21,554.6	-4.1%
Operating Cash Flow	$5,541.1	$4,820.1	$10,360.2	$1,303.3	$11,663.5	12.6%
Operating Cash Flow Margin	38.6%	26.1%	31.6%		35.1%	

Small Market Television/Newspaper Combination

The small market analysis is notably different from the preceding ones in that the revenues of the average television station in such markets may actually exceed those of the commonly located newspaper. Combined gross revenues of $10.5 million are less than those of the medium market newspaper or television station.

The newspaper operating cash flow margin of 18.3% is well below the 26.1% operating margin found in the medium market analysis. Likewise, the 31.9% television station operating cash flow margin represents a decline from the television operating cash flow margin of 38.6% encountered in the typical medium market station.

Although the efficiencies of a television/newspaper consolidation are significantly less than those estimated in larger markets, they are much more significant in relative terms, given the small revenue base and lower levels of profitability which characterize these properties.

The small market advertising revenue benefit of approximately 1% reflects an increase in gross revenues of $81,900. Because smaller businesses may be able to share capacity in certain fixed-cost areas such as general and administrative expenses, industry executives estimated percentage savings in these areas to fall in the 5% to 7.5% range.

When expense savings of $333,900 are combined with the net revenue benefit of $74,900, a total operating profit enhancement of $408,800 results. The combined adjusted operating profit of $2.9 million represents an increase of 16.5% over the unadjusted combined total.

These data indicate that relaxation of the restrictions upon newspaper/television cross-ownership could have a significant impact on the efficiency of operations in smaller markets, especially for marginally performing newspapers and television stations.

Table 4

Economic Analysis of Small Market Television/Newspaper Combination

(Dollar Amounts Shown in Thousands)

	Standalone Television Operation	Standalone Newspaper Operation	Unadjusted Combined Operation	Revenue Benefit/ Cost Saving	Adjusted Combined Operation	Percentage Change
Revenues						
Total Advertising Revenue	$5,813.4	$2,374.6	$8,188.0	$81.9	$8,269.9	1.0%
Circulation	0.0	856.4	856.4	0.0	856.4	0.0%
Other Revenue	674.6	795.2	1,469.8	0.0	1,469.8	0.0%
Total Revenue	$6,488.0	$4,026.2	$10,514.2	$81.9	$10,596.1	0.8%
Net Revenues	$5,589.6	$4,026.2	$9,615.8	$74.9	$9,690.7	0.8%
Operating Expenses						
Editorial/News/Programming	$1,386.7	$457.4	$1,844.1	($138.3)	$1,705.8	-7.5%
Engineering/Technical	370.6	0.0	370.6	0.0	370.6	0.0%
Production/Printing	219.4	1,301.7	1,521.1	0.0	1,521.1	0.0%
Circulation	0.0	350.7	350.7	0.0	350.7	0.0%
Advertising/ Sales/ Promotion	835.7	365.3	1,201.0	(60.0)	1,141.0	-5.0%
General and Administrative	993.9	814.8	1,808.7	(135.6)	1,673.1	-7.5%
Total Operating Expenses	$3,806.3	$3,289.9	$7,096.2	($333.9)	$6,762.3	-4.7%
Operating Cash Flow	$1,783.3	$736.3	$2,519.6	$408.8	$2,928.4	16.5%
Operating Cash Flow Margin	31.9%	18.3%	26.2%		30.3%	

Large Market Radio/Newspaper

An analysis of a hypothetical large market radio station-newspaper combination is presented in Table 5. To reflect the realities of the current marketplace, it was assumed that the radio property in question consists of a commonly owned group of three to five stations.

As was the case in television, the local newspaper is significantly larger than the radio group in terms of revenues. The radio operation does, however, enjoy a significantly higher level of profitability, with an operating cash flow margin of 40.3%, compared to 26.2% for the newspaper.

On a stand-alone basis, the radio group generates approximately $26.3 million in gross revenues. Operating expenses in support of these revenues total $14.0 million. The radio group generates operating cash flow of $9.4 million.

On an unadjusted combined basis, the newspaper and the radio stations generate $222.3 million in gross revenues and $60.7 million in operating cash flow, with an operating profit margin of 27.7%,

Considering the businesses on a consolidated basis, research indicates that certain economies would result from combined operations, although these benefits are less pronounced than in the case of television stations.

The overall revenue benefit is expected to be approximately 1% in terms of advertising sales. Expense savings, averaging 3% to 5%, would be concentrated in the sales, advertising and promotion, and general and administrative areas.

In the case of the large market radio/newspaper combination, operating cash flow is forecast to increase by almost 9% from $60.7 million to $66.0 million. The consolidated operating cash flow margin increases from 27.7% to 29.8%.

Table 5

Economic Analysis of Large Market Radio/Newspaper Combination

(Dollar Amounts Shown in Thousands)

	Standalone Radio Operation	Standalone Newspaper Operation	Unadjusted Combined Operation	Revenue Benefit/ Cost Saving	Adjusted Combined Operation	Percentage Change
Revenues						
Total Advertising Revenue	$26,301.1	$149,712.2	$176,013.3	$2,200.2	$178,213.5	1.3%
Circulation	0.0	36,605.2	36,605.2	0.0	36,605.2	0.0%
Other Revenue	0.0	9,673.3	9,673.3	0.0	9,673.3	0.0%
Total Revenues	$26,301.1	$195,990.7	$222,291.8	$2,200.2	$224,492.0	1.0%
Net Revenues	$23,388.1	$195,990.7	$219,378.8	$2,171.4	$221,550.2	1.0%
Operating Expenses						
Editorial/News/Programming	$5,380.9	$17,097.0	$22,477.9	($561.9)	$21,916.0	-2.5%
Engineering/Technical	583.3	0.0	583.3	0.0	583.3	0.0%
Production/Printing	0.0	53,690.3	53,690.3	0.0	53,690.3	0.0%
Circulation	0.0	23,701.7	23,701.7	0.0	23,701.7	0.0%
Advertising/ Sales/ Promotion	5,407.8	13,384.8	18,792.6	(939.6)	17,853.0	-5.0%
General and Administrative	2,584.9	36,826.1	39,411.0	(1,576.4)	37,834.6	-4.0%
Total Operating Expenses	$13,956.9	$144,699.9	$158,656.8	($3,077.9)	$155,578.9	-1.9%
Operating Cash Flow	$9,431.2	$51,290.8	$60,722.0	$5,249.3	$65,971.3	8.6%
Operating Cash Flow Margin	40.3%	26.2%	27.7%		29.8%	